

Poverty in Palestine: the human cost of the financial boycott

Embargoed until 00.01 hrs 13 April 2007

April 2007

Introduction

In April 2006, key donors including the USA, EU, and Canada suspended international aid to the Palestinian Authority government (PA), following the overwhelming victory of Hamas in parliamentary elections. The Government of Israel had previously suspended the transfer of the tax and customs revenues it collects on behalf of the PA.¹

Donors and Israel stated that their actions were in response to Hamas' refusal to recognise the state of Israel, renounce violence, and accept previous political agreements including the Road Map.² Donors and Israel argued that their goal was to pressure Hamas to change its platform, not to punish the Palestinian people.³

However, the decision to suspend aid to the PA and withhold tax revenues has led to immense suffering. One year on, the number of Palestinian people living in poverty has jumped by 30 per cent, essential services are facing meltdown, and previously unknown levels of factional violence plague Palestinian streets.⁴ If this situation continues, the Occupied Palestinian Territories (OPT) risk becoming a 'failed state', destroying the chances of achieving a two-state solution.⁵ Oxfam believes that donors and Israel should urgently resume direct financial transfers to the PA.

UN Special Rapporteur John Dugard states that 'the Palestinian people have been subject to economic sanctions – the first time an occupied people have been so treated'. Israel, he notes, has violated its obligation as an occupying power to provide for the welfare of the Palestinian people.⁶

Three months after aid was suspended to the PA, the EU established the Temporary International Mechanism (TIM), which was designed to provide direct support to Palestinians without going through government channels.⁷ While supporting some of the poorest people, TIM has been unable to prevent the growing humanitarian crisis caused by the financial boycott and by the violence.

Aid alone is not a panacea for Palestinian poverty, nor will it deliver peace: that requires intensified efforts by all parties to seek a two-state solution. However, Oxfam has witnessed a rapid rise in suffering and insecurity as a result of the boycott of the PA. Many programmes operated by Oxfam and its partners in the water, health, and agriculture sectors have been placed in jeopardy.

Following the creation of a National Unity Government, the new Palestinian finance minister, Salam Fayyed, has called for the resumption of international aid to the PA.⁸ Norway has already agreed to resume this assistance, while Russia, France, and a number of other European governments considering financial transfers to the PA in order to improve the lives of Palestinians. It is imperative for Israel and other donors to follow suit.

Aid conditionality

In March 2006, the Middle East Quartet (EU, Russia, USA, and the UN) did not explicitly prohibit the provision of aid to the Hamas-led PA. Rather, they called for aid to be 'reviewed' against three principles: recognising Israel, renouncing violence, and accepting previous agreements.⁹ Some donors, including Russia, Belgium, Sweden, and several Arab states, sought to continue direct assistance.¹⁰ However, a combination of political pressure and US threats of sanctions against banks handling aid monies served to halt transfers to the PA.¹¹

Oxfam believes that international aid should be provided through the Palestinian institutions and local authorities charged with delivering essential services, including health and education, regardless of which party is in power. The PA was created by Palestinians and Israelis, with the support of the international community, to meet the needs of Palestinian civilians, and it is a legitimate channel for humanitarian and development funds.¹²

International aid always comes with terms attached. Oxfam believes that donor countries have a right to expect their money to be spent in a transparent way and to be clearly accounted for. People living in poverty around the world, including the Palestinians, are entitled to expect that aid will be used to improve the quality of their lives.¹³

However, international aid should be provided impartially on the basis of need, not as a political tool to change the policies of a government or to oust it. In the Palestinian case, the West has applied political conditions that are unrelated to the effective use of international aid.

In extreme circumstances, Oxfam does call for aid to be suspended – for example, if aid money is likely to be used to fund terrorism, or in cases of rampant corruption. Hamas has been involved in acts against Israeli civilians, but had been at truce for a year when it was elected into office. According to a December 2006 statement by the UK development minister, Hilary Benn, there is no evidence that Hamas has used any aid money to fund terrorism.¹⁴ In regard to corrupt use of funds, Hamas was elected on an anti-corruption ticket and is widely regarded as being cleaner than Fatah.

And in this case, there is little evidence that the boycott has levered the intended changes in Hamas, so it is even harder to justify the high cost imposed on the Palestinian people. Moreover as, the International Crisis Group has argued, 'Western commitment to democracy in the Middle East has been roundly discredited' in the region.¹⁵

The role and capacity of the Palestinian Authority

Since its inception in 1994, the PA has played an ever greater role in the lives of Palestinians. The international community has invested billions of dollars to establish the PA as the major service provider.¹⁶ Today, it is responsible for 1,600 schools, 22 hospitals, and 416 primary health clinics, and for the provision of welfare payments to nearly a quarter of a million people.¹⁷

With the private sector struggling to develop amid tight Israeli restrictions on Palestinian movement, the PA has become the largest employer and biggest spender in the OPT.¹⁸ Effectively, it has become a 'social safety net', employing 161,000 people, who in turn support nearly 1 million dependants.¹⁹

In 2005, before Hamas came to power, PA expenditure was \$1.92bn.²⁰ Core income consisted of \$814m in tax and customs revenues collected by Israel on behalf of the PA, \$349m in international aid provided as budgetary support, and nearly \$394m from domestic revenues.²¹

In the same year, the OPT also received \$500m in humanitarian assistance and \$450m in technical support, some of which was channelled through or designed to develop the PA, but which was not included in its income.²²

The PA had long been plagued with corruption. However, according to the World Bank, it has made significant progress to tackle corruption and improve governance in recent years.²³ This includes establishing a Single Treasury Account, through which all payments are made and government revenues collected. In March 2007, former European Commissioner Chris Patten pointed to these reforms as 'one of the few success stories of the past few years in Palestine'.²⁴

The impact of the suspension of international aid and the withholding of Palestinian tax revenues by Israel

Without international aid and revenues transferred by Israel, in 2006 the PA saw its income drop by 60 per cent.²⁵ As a consequence, it has been unable to make regular salary payments to its workers and its services have been curtailed.

In addition, donors have stopped humanitarian and technical assistance programmes delivered through the PA, which has further reduced service provision. For example, USAID suspended assistance to the World Food Programme, which was delivering support through the Ministry of Social Welfare.²⁶

A joint report by the UN food agencies highlights the fact that 46 per cent of Palestinians do not have enough food to meet their needs.²⁷ The number of people living in deep poverty, defined as those living on less than \$2.10 a day, nearly doubled in 2006 to over 1 million, according to the United Nations Relief and Works Agency.²⁸

Increasing poverty

In October 2006, banks reported that each government worker had built up an average personal debt of \$2,000.²⁹ By November 2006, according to the World Bank, the incomes of PA workers had fallen to 40 per cent of their normal levels over the previous year, and wage arrears had soared to over half a billion dollars.³⁰ A November 2006 poll of government workers showed an increase in poverty from 35 per cent to 71 per cent.³¹

An Oxfam survey of 677 household heads across the West Bank and Gaza, conducted in mid-March 2007, 87 per cent of people interviewed in Gaza and 81 per cent in the West Bank said that their household income had been reduced. In Gaza, 53 per cent said that their household income had fallen by more than a half, and 21 per cent said their household income had stopped altogether. Households have resorted to borrowing, selling possessions, reducing healthcare and food consumption, and taking children out of school.³²

Government workers are not alone in being directly affected. Oxfam interviewed Amal Nasser, a welfare recipient from Madama village in the West Bank, in June 2006. Ms Nasser used to receive \$99 a month from the Ministry of Social Welfare, but had not received a single payment in the period April to June 2006. She told Oxfam:

'The biggest problem for us is the lack of medicine. In our situation, we have no money to buy medicine [previously provided by the PA]. Gas has become too expensive. I am using firewood now to cook with, but it takes three or four hours to prepare a meal.'

Institutional collapse

Throughout the financial crisis, hospitals have reported a shortage of essential drugs and, in the absence of salaries, health professionals have found it difficult to travel to work. In Gaza, 400 doctors have lost their jobs as there are no funds to cover their salaries.

Oxfam also surveyed 67 public sector service directors and senior managers in March 2007, across the health, education, and water sectors. Of those interviewed, 86 per cent said that their organisation's services had been negatively affected, with 54 per cent reporting that they had reduced their services by more than half.³³

Oxfam Novib's partner, the Women's Centre for Legal Aid and Counselling, reported that the police were unable to implement plans for a special unit dealing with domestic violence owing to the financial boycott.

In August 2006, health workers led civil servants in a general strike over the non-payment of salaries. The strike lasted in some sectors until January 2007, when an agreement was reached between the PA and the health unions over the payment of arrears. The strike had a devastating impact on service provision, with the lack of medical care causing a number of unnecessary deaths.³⁴ Many schools and health facilities closed during the strike. As the boycott has continued into spring 2007, the PA has been unable to meet its arrears, and partial strikes have resumed.

Economic decline

As Palestinian incomes have fallen, shops and small businesses have gone bankrupt. In March 2007, UN OCHA reported a huge drop in the sale of staple items.³⁵

In January 2007, Shukri Qot, a grocery shopkeeper in Madama, told Oxfam:

'Three months ago my shop closed. I could not continue because the debts of my customers became too great. This is the responsibility of the siege [financial sanctions] of the Palestinian government. Most of the villagers have not paid me the money they owe me. I sold my wife's jewellery to open my shop – now I have lost everything.'

GDP declined by around 10 per cent last year, with the Palestinian Central Bureau of Statistics reporting a 21 per cent drop for the last quarter, compared with the same period in 2005.³⁶

The boycott may have had an even greater impact on the economy than have the Israeli restrictions on Palestinian movement. Following the Palestinian uprising in 2000, Israel intensified its network of checkpoints, roadblocks, and 'settler-only' roads, and constructed an illegal wall stretching 700km.³⁷ As a result of these restrictions on movement, many Palestinians cannot access their land or water resources, travel to work, or sell their goods in the market. GDP declined by 30 per cent between 1999 and 2004 and poverty increased by 30 per cent.³⁸ This compares with a 30 per cent increase in poverty in 2006.

The Temporary International Mechanism

In recognition of the growing humanitarian needs in the OPT, the Quartet endorsed the Temporary International Mechanism (TIM) on 17 June 2006. It was conceived by the European Commission as a means to channel aid directly to Palestinians while bypassing the PA. The mechanism was to be 'limited in scope and duration'; operating with 'full transparency and accountability'; and ensuring 'needs-based' assistance directly to the Palestinian people.³⁹

Funding through the TIM was categorised under three windows:

- I Non-salary support to the health, education, social, and water sectors;
- II Fuel payments to the health and water sectors;
- III Direct payments to PA workers and welfare recipients.

Initially, the scheme was limited to the health sector. In July 2006, the TIM began providing fuel to hospitals and in August 2006 a 'social allowance' in lieu of salaries was paid to 11,894 health workers. Following a series of negotiations, the scheme has been gradually expanded, providing allowances to date to over 70,000 workers and pensioners and to 73,000 welfare recipients. Furthermore, it has provided millions of litres of fuel to hospitals and the water system, particularly in Gaza following the Israeli military's destruction of the power network.

In September 2006, the World Bank announced that it would begin providing non-salary support to key sectors under Window I of the TIM.⁴⁰ This included the provision of food aid to the Ministry of Social Welfare from December 2006 and drugs to hospitals from January 2007.

In developing the TIM, the European Commission has worked creatively to meet the needs of the Palestinians, but it operates under the flawed policy constraints set by Member States. While the TIM has undoubtedly provided much-needed assistance to some of the poorest Palestinians, it has been unable to prevent the decline in the humanitarian situation as a whole.

The March 2007 Oxfam survey found that, of 356 households that received TIM payments, 10 per cent said that the payments met all their household needs, 27 per cent said they met more than half their household needs, and 63 per cent said they met less than half their needs.⁴¹

In addition, the World Bank and the IMF are concerned about the 'disintegration' of public finance systems caused by the suspension of direct payments to the government.⁴² The latest World Bank Public Expenditure Review points out that the impressive accomplishments of the PA in the past few years have become compromised:

*'Recent political developments have worked hard against a number of these accomplishments, as alternative mechanisms have been developed to channel resources to the Palestinian people that bypass many of the mechanisms that the PA donors worked hard to create.'*⁴³

Donors have highlighted the accuracy and accountability of the TIM, which incorporates multiple terrorism checks and the ability to track payments through to individuals. Palestinians, however, do not know when payments are made or, often, where they are coming from. Previously, Palestinian workers and welfare recipients knew what their incomes would be, who was making the payment, and who was responsible if a payment was not made.

In summary, as Dr Muriel Asseburg of the German Institute of International and Security Affairs says:

*'The TIM has certainly helped prevent a humanitarian catastrophe in the Palestinian territories. But such a catastrophe was only in danger because of Western and Israeli policies: the cut of EU budget support; Israel's suspension of value added tax and customs transfers to the Palestinian Authority.'*⁴⁴

Growing international aid, greater poverty

Despite the suspension of aid to the PA, aid to the OPT reportedly increased during 2006. Assistance was provided through channels outside the PA, particularly the United Nations Relief and Works Agency.⁴⁵ Some estimates suggest that total aid to the OPT increased from \$1bn in 2005 to \$1.2bn in 2006.⁴⁶ The IMF estimates that \$747m was provided for recurring government expenditures in 2006, more than double the amount of budgetary support given in 2005.⁴⁷ The World Bank estimates that GDP would have fallen a further 10 per cent without this additional assistance.⁴⁸

Why, then, has poverty climbed so sharply during the same period? First, international aid does not compensate for the substantial loss of income created by the withholding of at least \$475m of Palestinian tax and customs revenues by the Government of Israel.⁴⁹ Indeed, these revenues accounted for around 50 per cent of the PA's monthly income in 2005.⁵⁰ Israel has released \$100m of the tax and customs revenues withheld in 2006, but reportedly a large part of these funds will be used to support security operations.⁵¹ Regrettably, the suspension of direct aid to the PA by Western donors reduces pressure on the Government of Israel to abide by its Oslo agreements with the PA and to honour its responsibility under international humanitarian law to meet the welfare needs of the Palestinians under its occupation.

Second, Palestinian workers and welfare recipients have spent months without any direct assistance. Many elements of the TIM are only just becoming operational, and some workers received their first TIM payments only in late 2006 or early 2007.

Third, part of the increase in international aid is accounted for by humanitarian assistance which, while necessary, does not generate income or offer the same long-term benefits as development aid. In 2005, 16 per cent of EU aid was spent on humanitarian assistance. In 2006, this had risen to 56 per cent.⁵² Donors have found it difficult to undertake development projects without working through the PA.

Fourth, international aid has become increasingly fragmented and unaccounted for, making it difficult for donors to target assistance effectively. As Alexander Costy of the UN Special Envoy's office argues, aid has increasingly been provided 'outside any framework or process' and it is 'aid that [has] no bearing on long-term development prospects'.⁵³

Security implications

Besides growing poverty, the suspension of aid to the PA has had other serious consequences. The boycott has helped to trigger factional violence between Palestinians. The fact that Western donors have channelled aid to Fatah-led institutions, such as the Office of the President, has increased tensions between Fatah and Hamas.

Some 80,000 Palestinian security workers were excluded from the TIM, and they have resorted to violence to demand their salaries. In May 2006, UN OCHA reported 64 separate attacks on public institutions by security workers, including the storming of buildings.⁵⁴

As one analyst has argued, 'leaving 80,000 armed security men penniless is proving to be catastrophic'.⁵⁵ International policy created a 'tinderbox' that led violence to escalate rapidly until February 2007, when Hamas and Fatah agreed to form a national unity government.⁵⁶ From May 2006 to February 2007, 243 Palestinians were killed in situations that UN OCHA was able to identify as directly relating to internal conflict.⁵⁷

In its latest report on the situation, the International Crisis Group argues that the OPT have the 'dubious distinction' of becoming a 'failed state', even before they have become a state.⁵⁸

New government, new possibilities

On 17 March 2007, the Palestinian parliament voted in a new unity government, following the Mecca Agreement between Fatah and Hamas. Russia, France, and Norway had already called for the resumption of diplomatic relations earlier in the month, when the Mecca Agreement was first announced.

Since then the US consul in Jerusalem, Jacob Walles, has visited the new Palestinian finance minister Salam Fayyed, while EU Special Representative Marc Otte has met with the finance minister and with the new foreign minister, Ziad Abu Amr. Other governments including Sweden, France, and Belgium have also met with PA ministers.

However, this renewed diplomatic activity has not been accompanied by a resumption of aid to the PA. Collectively, the EU Member States maintain the same position on political conditionality, albeit with hints of greater flexibility than the USA, and have said that they will wait to judge the actions of the new government.⁵⁹ At one end of the spectrum, France, Ireland, Spain, and Sweden would like to move much faster to restore direct aid, but some other countries, notably the Netherlands, resist this. It is critical that major players, above all the UK and Germany, adopt a more flexible stance at the 23 April 2007 EU foreign ministers meeting.

In March 2007, the Quartet extended the TIM for a further three months, enabling proposals for a new 'sustainable' aid mechanism to be developed. However, further delay in restoring direct aid will do even greater damage to the standing of Western donors in the OPT and the wider region. The EU, in particular, should not miss this important opportunity to restore the faith of Palestinians in its role as the honest broker of the peace process.

Oxfam believes that the state must be a key actor in providing equitable and effective health and education systems in poor countries. In the OPT, the Palestinian Authority remains the most effective mechanism for the delivery of essential services. In

attempting to bypass the PA, service provision has deteriorated dramatically, as events of the past year have shown.

Moreover, the PA should be central to the co-ordination of assistance and should have the freedom to determine its own expenditure under its democratic mandate. The existing Single Treasury Account in the PA Ministry of Finance offers the best means through which to channel assistance, but this requires the USA to lift its sanctions on bank transfers.

Ordinary Palestinian men and women remain caught in the middle of a diplomatic game, at great personal cost. They cannot afford to 'wait and see' what actions the national unity government takes, as their situation is deteriorating every day. Civilians are entitled to protection by Israel and the international community, including the provision of basic needs, as a fundamental right. This should not be a reward for good behaviour.

Unfortunately, the disintegration of the financial systems has made it even harder for the new Palestinian finance minister to channel aid through the PA. Donors should heed the Palestinian finance minister's call to lift the sanctions and provide urgent assistance to the PA to enable it to handle aid payments. This would also reassure the Government of Israel that the Palestinian money it is withholding will be properly spent.

The Government of Israel and the international community should recognise how volatile the situation remains. Factional violence is continuing in Gaza and risks spiralling out of control. Informed observers believe that the national unity government remains a fragile creation that could collapse without financial support, leading to even greater insecurity.

Moreover, while support for Palestinian institutions is vital, their operation is severely constrained by Israeli government restrictions on movement. The international community should take steps to ensure that Israel allows Palestinian movement, does not halt the delivery of aid, and does not destroy aid projects. In the past year, the Israeli Defence Force has fired thousands of rockets and shells into Gaza and has destroyed aid projects worth millions of dollars. This includes the destruction of vital water and electricity infrastructure, with severe humanitarian consequences. All actors, Palestinian and Israeli, need to refrain from violence against each other, and the Palestinian leadership needs to cease internal conflict and the trauma this creates for ordinary people.

Oxfam welcomes the recent positive efforts by Germany, the United States, and the Arab League to re-energise the peace process, setting a clear political vision of a Palestinian state. But these efforts are unlikely to be successful or sustainable while financial sanctions continue. International aid is not a panacea for this conflict, but the Quartet's current aid policy remains an obstacle. Those negotiating should ensure that resumption of basic services to civilians has the highest priority.

Recommendations

- Diplomatic efforts should be intensified to ensure an ongoing ceasefire and political dialogue; this should engage all parties in the region (including Hamas) in focusing on a two-state solution. Resumption of aid should not be conditional on this.
- The international community should resume direct aid to the PA as soon as is practically possible. Priority should be given to providing aid for essential service ministries, including health and education, together with local government.
- The Government of Israel should release all Palestinian tax and customs revenues that it is withholding from the PA, in accordance with its previous international agreements.
- The international community should offer urgent technical support to the Palestinian Ministry of Finance to enable it to accept international aid and Israeli transfers without further delay.
- The US government should remove its banking sanctions on the transfer of funds to the PA.
- The European Commission and World Bank should commission an independent evaluation of the TIM, including an impact assessment. All stakeholders should be provided with the opportunity to contribute to this evaluation, especially Palestinians and their institutions.
- There needs to be improved co-ordination of international assistance. The PA's existing Single Treasury Account is the best means to accomplish this.
- Donors and Israel should ensure that all salary arrears owed to public sector workers and welfare recipients are fully paid to the PA, and should provide an additional payment for the PA to cover personal debt.

Notes

¹ See Agence France Press, 'Washington cuts direct aid to Palestinians', 7 April 2006, Jerusalem: AFP; and Agence France Press, 'EU suspends funding to Palestinian Authority', 7 April 2006, Jerusalem: AFP. The Palestinian Authority was established in 1994 under the Oslo peace agreements. It is the nominal authority of the Occupied Palestinian Territories, but it can only operate partially given the continuing Israeli occupation. Aid to both local and central government has been suspended since April 2006.

² Ibid. While the Government of Israel and the Quartet have adopted the same three principles, many donors do not accept Israel's withholding of Palestinian tax and customs revenues. The European Union has repeatedly issued statements calling for these funds to be transferred.

³ See, for example, Erlanger, S., 'Aid to Palestinians rose in 06 despite international embargo', 21 March 2007, *New York Times*, New York.

⁴ Costy, A., 'Middle East experts review international response to Palestinian needs', 6 February 2007, Doha: UN General Assembly.

⁵ Oral evidence from David Shearer, Head of UN OCHA Jerusalem on 28 November 2006 to the UK Parliament's Development Select Committee. See Development Select Committee (January 2007) 'Development Assistance and the Occupied Palestinian Territories Vol II', London: House of Commons.

⁶ Dugard, J. (January 2007) *Report of the Special Rapporteur on the Situation of Human Rights in the Palestinian Territories Occupied since 1967*, Geneva: UN Human Rights Council.

⁷ Quartet Statement, 17 June 2006, at <http://www.state.gov/r/pa/prs/ps/2006/68003.htm> (last checked by the author 1 April 2007).

⁸ Fayed, S., 'Palestinian hope held hostage', 31 March 2007, *Los Angeles Times*, Los Angeles.

⁹ The Middle East Quartet, comprising the EU, Russia, the USA, and the UN, was established to assist the parties in implementing the Road Map peace agreement in 2003. See Quartet Statement on the Middle East, 30 March 2006, at www.fco.gov.uk (last checked 5 March 2007).

¹⁰ Oxfam discussions with aid officials in Jerusalem, June 2006. See also El-Samhuri, M. (May 2006) 'Humanitarian Conditions in the Palestinian Territories: Short and Long Term Perspectives on a Developing Crisis', Houston: James A Baker III Institute for Public Policy.

¹¹ See Entous, A. and M. Assidi, 'Banks balk at sending funds to Hamas', 22 April 2006, London: Reuters; and Reuters, 'Bank sanctions curb aid to Palestinian cabinet', 15 March 2007, Jerusalem: Reuters.

¹² Hobbs, J., 'Open Letter to Members of the Quartet and International Donors', 6 April 2006, Oxford: Oxfam International.

¹³ Oxfam (November 2006) 'Kicking the Habit: How the World Bank and IMF are still addicted to attaching economic conditions on aid', Oxford: Oxfam International.

¹⁴ See Question 284, Oral Evidence by UK Development Minister Hilary Benn, in Development Select Committee (January 2007) 'Development Assistance and the Occupied Palestinian Territories Vol II', London: House of Commons. Other Palestinian factions have undertaken suicide bombings in Israel, including the Al Aqsa Martyrs Brigade, which is linked to Fatah.

¹⁵ International Crisis Group, (February 2007) 'After Mecca: Engaging Hamas', Middle East Report, No 62, Brussels: International Crisis Group.

¹⁶ Roberts, N. (2005) 'Hard Lessons from Oslo: Foreign Aid and the Mistakes of the 1990s' in Keating, M. (ed.) *Aid Diplomacy and Facts on the Ground*, London: Chatham House.

¹⁷ Reuters, 'Fact Box: Facts about the Palestinian health, education sectors', 23 May 2006, Jerusalem: Reuters Foundation; Palestinian Ministry of Health website, see

<http://www.moh.gov.ps/pdf/Hospital05.pdf> and <http://www.moh.gov.ps/pdf/PHC05.pdf> (last checked 27 March 2007).

¹⁸ International Crisis Group (2007) 'After Mecca: Engaging Hamas', op. cit.. See also World Bank (February 2007) *West Bank and Gaza Public Expenditure Review*, Jerusalem: World Bank.

¹⁹ UN OCHA (2007) 'Occupied Palestinian Territory — Consolidated Appeals Process', Jerusalem, UN OCHA. See also International Crisis Group, 'After Mecca: Engaging Hamas', op. cit.

²⁰ World Bank (November 2006) 'Coping with Crisis: Palestinian Authority Institutional Performance', Jerusalem: World Bank.

²¹ The PA also received income from selling the assets of the Palestinian Investment Fund, finance from commercial banks, and transfers of previous tax revenue collected by Israel. See World Bank, 'Coping with Crisis', op. cit.

²² World Bank (March 2006) *Economic Update and Potential Outlook*, Jerusalem: World Bank.

²³ See World Bank (February 2007) *West Bank and Gaza Public Expenditure Review*, op. cit.

²⁴ Patten, C. 'Time to judge Palestine on its results', 14 March 2007, *Financial Times*, London.

²⁵ World Bank, 'Coping with Crisis', op. cit.

²⁶ See written evidence from the UN World Food Programme to the Development Select Committee: Development Select Committee, 'Development Assistance and the Occupied Palestinian Territories', op. cit.

²⁷ Macintyre, D., 'Half of Palestinians in West Bank and Gaza malnourished', 22 February 2007, *The Independent*, London; IRIN, 'One third of all Palestinians food insecure', 22 March 2007, Geneva, IRIN.

²⁸ United Nations Relief and Works Agency (November 2006), 'Prolonged Crisis in the Occupied Palestinian Territory: Recent Socio-economic Impacts', Jerusalem: UNRWA.

²⁹ Portland Trust (October 2006), *Palestinian Economic Bulletin: Vol 1*, London: Portland Trust.

³⁰ World Bank, 'Coping with Crisis', op. cit.

³¹ Ibid.

³² Oxfam survey of household heads and other adults in West Bank (including East Jerusalem) and Gaza. Carried out by Palestinian Centre for Public Opinion, 12–19 March 2007.

³³ Oxfam survey of public sector service directors and senior managers in West Bank (including East Jerusalem) and Gaza. Carried out by Palestinian Centre for Public Opinion, 12–19 March 2007.

³⁴ International Committee of the Red Cross, 'Declining Governmental Health Service Provision in the West Bank', 15 November 2006, Geneva: ICRC.

³⁵ UN OCHA (March 2007) *Humanitarian Monitor*, Jerusalem: UN OCHA.

³⁶ Palestinian Central Bureau of Statistics (February 2007) *Preliminary Estimates of Quarterly National Accounts (Fourth Quarter)*, Ramallah: PCBS.

³⁷ See International Court of Justice Advisory Opinion, 'Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory', 9 July 2004, The Hague: ICJ.

³⁸ World Bank (December 2005) *Palestinian Economy and Prospects for its Recovery*, Jerusalem: World Bank.

³⁹ Quartet Statement on the Middle East, 17 June 2006, op. cit.

⁴⁰ See World Bank, 'World Bank Multi-donor trust fund grant to essential health education and social service delivery', 18 September 2006, Jerusalem: World Bank. TIM EC Office, *TIM Implementation Progress Report 26 June 2006–12 January 2007*, Jerusalem: European Commission.

-
- ⁴¹ Oxfam survey of household heads. March 2007, op. cit.
- ⁴² IMF Middle East and Central Asia Department (March 2007) *West Bank and Gaza: Fiscal Performance in 2006*, Jerusalem: IMF.
- ⁴³ World Bank, *West Bank and Gaza Palestinian Expenditure Review*, op. cit.
- ⁴⁴ Asseburg, M. (February 2007) *Arab Reform Bulletin*, Vol 5, issue 1, Washington: Carnegie Endowment for International Peace.
- ⁴⁵ IMF Representative Office (December 2006) *IMF Mission Statement for the West Bank and Gaza*, Jerusalem: IMF.
- ⁴⁶ UN, World Bank, and donor officials acknowledge that many aid figures are estimates, and it is difficult to get a clear aggregate picture. UN OCHA and others estimated aid to the OPT in 2005 to be \$1.3bn. Erlanger, S., *New York Times*, op. cit.
- ⁴⁷ IMF Middle East and Central Asia Department (March 2007) *West Bank and Gaza: Fiscal Performance in 2006*, Jerusalem: IMF.
- ⁴⁸ World Bank (March 2007) *West Bank and Gaza Update: Overview of Recent Economic Developments*, Jerusalem, World Bank.
- ⁴⁹ Erlanger, S., *New York Times*, op. cit.
- ⁵⁰ The chair of the Development Select Committee was advised of this figure by the World Bank during a meeting in Jerusalem. See Development Select Committee (January 2007), 'Development Assistance and the Occupied Palestinian Territories. Vols I and II', London: House of Commons.
- ⁵¹ Entous, A. and H. Tamimi, 'Palestinian Abbas forces amassing arms — sources', 28 January 2007, Jerusalem: Reuters.
- ⁵² UN OCHA, *Humanitarian Monitor*, op. cit. Project financing was also reduced from \$330m to \$180m. See World Bank/IMF, 'Economic Developments in 2006 — First Assessments: West Bank and Gaza', 26 March 2007, Jerusalem: World Bank/IMF.
- ⁵³ Costy, A. (2007) op. cit.
- ⁵⁴ UN OCHA (2006) Consolidated Appeals Process, op. cit.
- ⁵⁵ El-Samhuri, M. (May 2006) op. cit.
- ⁵⁶ Fast, L. (November 2006) 'Aid in a Pressure Cooker: Humanitarian Action in the Occupied Palestinian Territory', Medway: Feinstein International Center.
- ⁵⁷ UN OCHA Protection of Civilians Database (February 2007) *Summary Monthly Statistics January 2005–February 2007*, UN OCHA.
- ⁵⁸ International Crisis Group (February 2007) op. cit.
- ⁵⁹ Reuters, 'Palestinian minister plans trip to Brussels for EU aid talks', 22 March 2007, Jerusalem: Haaretz.

© Oxfam International April 2007

This paper was written by Richard Stanforth. Oxfam acknowledges the assistance of Michael Bailey, Anna Collins, and Daniela Lloyd-Williams.

It is part of a series of papers written to inform public debate on development and humanitarian policy issues.

The text may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, permission must be secured and a fee may be charged. E-mail publish@oxfam.org.uk.

For further information on the issues raised in this paper please e-mail advocacy@oxfaminternational.org.

Oxfam International is a confederation of thirteen organizations working together in more than 100 countries to find lasting solutions to poverty and injustice: Oxfam America, Oxfam Australia, Oxfam-in-Belgium, Oxfam Canada, Oxfam France - Agir ici, Oxfam Germany, Oxfam GB, Oxfam Hong Kong, Intermón Oxfam (Spain), Oxfam Ireland, Oxfam New Zealand, Oxfam Novib (Netherlands), and Oxfam Québec. Please call or write to any of the agencies for further information, or visit www.oxfam.org.

<p>Oxfam America 226 Causeway Street, 5th Floor Boston, MA 02114-2206, USA +1 800-77-OXFAM +1 617-482-1211 E-mail: info@oxfamamerica.org www.oxfamamerica.org</p>	<p>Oxfam Hong Kong 17/fl., China United Centre, 28 Marble Road, North Point, Hong Kong Tel: +852.2520.2525 E-mail: info@oxfam.org.hk www.oxfam.org.hk</p>
<p>Oxfam Australia 156 George St., Fitzroy, Victoria 3065, Australia Tel: +61.3.9289.9444 E-mail: enquire@oxfam.org.au www.oxfam.org.au</p>	<p>Intermón Oxfam (Spain) Roger de Llúria 15, 08010, Barcelona, Spain Tel: +34.902.330.331 E-mail: info@intermonoxfam.org www.intermonoxfam.org</p>
<p>Oxfam-in-Belgium Rue des Quatre Vents 60, 1080 Brussels, Belgium Tel: +32.2.501.6700 E-mail: oxfamsol@oxfamsol.be www.oxfamsol.be</p>	<p>Oxfam Ireland Dublin Office, 9 Burgh Quay, Dublin 2, Ireland Tel: +353.1.672.7662 Belfast Office, 115 North St, Belfast BT1 1ND, UK Tel: +44.28.9023.0220 E-mail: communications@oxfamireland.org www.oxfamireland.org</p>
<p>Oxfam Canada 250 City Centre Ave, Suite 400, Ottawa, Ontario, K1R 6K7, Canada Tel: +1.613.237.5236 E-mail: info@oxfam.ca www.oxfam.ca</p>	<p>Oxfam New Zealand PO Box 68357, Auckland 1145, New Zealand Tel: +64.9.355.6500 (Toll-free 0800 400 666) E-mail: oxfam@oxfam.org.nz www.oxfam.org.nz</p>
<p>Oxfam France - Agir ici 104 rue Oberkampf, 75011 Paris, France Tel: + 33 1 56 98 24 40. E-mail: info@oxfamfrance.org www.oxfamfrance.org</p>	<p>Oxfam Novib (Netherlands) Mauritskade 9, Postbus 30919, 2500 GX, The Hague, The Netherlands Tel: +31.70.342.1621 E-mail: info@oxfamnovib.nl www.oxfamnovib.nl</p>
<p>Oxfam Germany Greifswalder Str. 33a, 10405 Berlin, Germany Tel: +49.30.428.50621 E-mail: info@oxfam.de www.oxfam.de</p>	<p>Oxfam Québec 2330 rue Notre Dame Ouest, bureau 200, Montréal, Quebec, H3J 2Y2, Canada Tel: +1.514.937.1614 E-mail: info@oxfam.qc.ca www.oxfam.qc.ca</p>
<p>Oxfam GB Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK Tel: +44 (0)1865.473727 E-mail: enquiries@oxfam.org.uk www.oxfam.org.uk</p>	

Oxfam International Secretariat: Suite 20, 266 Banbury Road, Oxford, OX2 7DL, UK
Tel: +44.(0)1865.339100. Email: information@oxfaminternational.org. Web site: www.oxfam.org

Oxfam International advocacy offices:

E-mail: advocacy@oxfaminternational.org

Washington: 1100 15th St., NW, Ste. 600, Washington, DC 20005-1759, USA, Tel: +1.202.496.1170.

Brussels: Rue Philippe le Bon 15, 1000 Brussels, Belgium, Tel: +322.502.0391.

Geneva: 15 rue des Savoises, 1205 Geneva, Switzerland, Tel: +41.22.321.2371.

New York: 355 Lexington Avenue, 3rd Floor, New York, NY 10017, USA, Tel: +1.212.687.2091.

Linked Oxfam organizations. The following organizations are linked to Oxfam International:

Oxfam Japan Maruko bldg. 2F, 1-20-6, Higashi-Ueno, Taito-ku, Tokyo 110-0015, Japan

Tel: + 81.3.3834.1556. E-mail: info@oxfam.jp Web site: www.oxfam.jp

Oxfam India B - 121, Second Floor, Malviya Nagar, New Delhi, 1100-17, India

Tel: + 91.11.2667 3 763. E-mail: info@oxfamint.org.in Web site: www.oxfamint.org.in

Oxfam observer member. The following organization is currently an observer member of Oxfam International, working towards possible full affiliation:

Fundación Rostros y Voces (México) Alabama No. 105 (esquina con Missouri), Col. Nápoles, C.P. 03810 México, D.F.

Tel/Fax: + 52 55 687 3002. E-mail: comunicacion@rostrosyvoces.org Web site:

www.rostrosyvoces.org